

# VARIA U.S. PROPERTIES

INFORMATION ABOUT THE 3rd QUARTER 2021 - Issued Nov. 11, 2021

## HIGHLIGHTS

**Exceptional financial results continued for Q3-2021 with increases in Effective Gross Income\*, Net Operating Income (NOI)\*\* and related operating margins.**

**Occupancy rate increases to 95.9% for the portfolio, up from 95.4% for Q3-2020.**

**Rent collections during Q3-2021 and thereafter continue to be at or above pre-pandemic levels.**

**At the property level for Q3-2021:**

- **Effective Gross Income: \$30.0 million (\$27.6 million for Q3-2020)**
- **NOI: \$15.0 Million (\$13.4 million in Q3-2020)**
- **NOI margin: 49.9% (48.3% in Q3-2020)**

**Like for like increases for Q3 2021 vs. Q3 2020 include:**

- **Rental income up 6.8%**
- **NOI up 9.8%**
- **NOI Margin up 0.9%**

**As of September 30, 2021 :**

**Total Units: 10,902**

**Number of Properties: 42**

**Avg. Occupancy Rate: 95.9%**

*\* Effective Gross Income (includes rental and other income)*

*\*\*Net Operating Income (NOI) Operating profit less unrealized appreciation*

## INTRODUCTION

Dear Investors,

This report provides an update regarding the latest developments and performance of the Company during Q3-2021. All figures are operating results in USD at the property level (unless otherwise indicated), which have neither been consolidated nor audited. This report is not intended to restate the Half Year Report of 2021 that was released on August 31, 2021, but rather focus on activities since the beginning of July. Further information about the Company can be found at [variausproperties.com](https://variausproperties.com).

During the initial wave of the global COVID 19 pandemic as well as during the second wave of infections experienced with the Delta variant, the Company has adjusted operating practices at the property and corporate level to incorporate social distancing and heightened sanitation into everyday practices. At the property level, processes were redesigned and refined as virtual touring, leasing and significant direct communication with property residents through the third party property managers became the new way of doing business and have evolved into marketing practices that are very effective. With more and more of the US population becoming vaccinated, some signs of the old “normal” are beginning to emerge with people getting back on the move.

The third quarter of 2021 produced excellent financial results compared to Q3-2020 with increases in Effective Gross Income of 8.5%, Rental Income of 7.4% and Net Operating Income of 12.1%. Net Operating Income margin increased to 49.9% (from 48.3%) while average occupancy increased to 95.9% as the Company continued its focus on operations and the value-add strategy. Like for like properties (those properties that were held for both full periods)\* performed exceptionally well as Net Operating Income Margin like for like increased to 49.0% and average occupancy like for like\* increased to an outstanding 96.2%. Additionally, the Company continued to maintain a very solid balance sheet during Q3-2021.

The Company sees several emerging opportunities as the initial shock of the pandemic subsides. During the third quarter, the Company closed on and onboarded two new properties, Wylde at Eagle Creek in Indianapolis (IN) (256 units) and West End at Fayetteville in Fayetteville (NC) (360 units). Additionally, the Company disposed of five properties totaling 584 units (Altitude, Highland Vista, Cottages of Topeka, Washington Heights, and Wyndam Place) and recognized significant gains.

## Q3-2021 PORTFOLIO PERFORMANCE REVIEW

*A preliminary summary of the Varia portfolio Q3 operating results for 2021 and 2020 is provided below.*

*These figures are calculated at the property level and have not been consolidated at the Company level. They are unaudited and provided on a purely indicative basis. They do not correspond in all respects to IFRS figures. They are subject to change and the Company shall not be responsible for investment decisions based on them. Only the figures presented in the 2020 Annual Report or the 2021 Half Year Report should be considered.*

RESULTS (for the quarter ended)	Unit	Q3 2021	Q3 2020	Change %
Effective Gross Income	USD Mio	30.0	27.6	8.5%
<i>Effective Gross Income like for like*</i>	USD Mio	23.8	22.0	7.9%
Rental Income	USD Mio	26.7	24.9	7.4%
<i>Rental Income like for like*</i>	USD Mio	21.2	19.8	6.8%
Operating Expenses	USD Mio	15.0	14.3	5.2%
NOI	USD Mio	15.0	13.4	12.1%
<i>NOI like for like*</i>	USD Mio	11.7	10.6	9.8%
NOI Margin	%	49.9%	48.3%	1.6%
<i>NOI Margin like for like*</i>	%	49.0%	48.2%	0.9%
Properties as of September 30th	Number	42	53	-20.8%
Units as of September 30 <sup>th</sup>	Number	10,902	10,896	0.1%
<i>Potential Rent per Month per Unit like for like*</i>	USD	886	843	5.1%
Occupancy Rate – average	%	95.9%	95.4%	0.5%
<i>Occupancy Rate like for like* - average</i>	%	96.2%	95.3%	0.9%

\* Like for like compares assets that were held for the full periods presented.

Note: Some amounts and percentages don't directly calculate due to rounding.

## General Overview

At the end of Q3-2021, the Company portfolio had 42 properties for a total of 10,902 units. Since Q3-2020, the Company has disposed of certain smaller, non-strategic assets and reinvested the proceeds into larger assets in more strategic markets. Overall, Q3-2021 reflected strong performance on the income side while expenses were effectively controlled and optimized due in part to cost cutting measures during the pandemic as well as increased operational efficiencies. Occupancy rates have increased from Q3-2020 continuing the growth trend in place prior to the outbreak of the COVID-19 pandemic.

## Income

**Effective Gross Income** increased \$2.4 million (or 8.5%) from \$27.6 million in Q3-2020 to \$30.0 million in Q3-2021, driven by a focus on capturing rental income increases, and boosted by increased non-rental income such as utility reimbursements, parking place and garage income, renter's insurance income, cable income and acquisitions.

**Rental Income**, defined as gross potential rent less economic/physical vacancy, increased \$1.8 million (or 7.4%) from \$24.9 million in Q3-2020 to \$26.7 million in Q3-2021. Like for like rental income increased \$1.4 million (or 6.8%) from \$19.8 million in Q3-2020 to \$21.2 million in Q3-2021, driven mostly by a constant push for higher rental rates and occupancy across the portfolio while managing concessions.

**Occupancy** in Q3-2021 increased by 0.5% to 95.9% compared to Q3-2020 at 95.4%. Same store occupancy was very strong climbing 0.9% to 96.2%. This is the result of the renewal strategy put in place at the beginning of the pandemic, as well as the fewer number of units that have been rehabbed in the last several months, due to the COVID-19 situation.

## Operating Activity and Overall Results

**Operating Expenses** increased from \$14.3 million in Q3-2020 to \$15.0 million in Q3-2021. The increases on the expense side generally result from additional expenses from 2021 acquisitions, higher real estate taxes and insurance costs in certain markets, property maintenance investments to drive tenant retention, the timing of incurring certain operating expenses, partially offset by cost reduction strategies during the pandemic.

**NOI** increased \$1.6 million (or 12.1%) from \$13.4 million in Q3-2020 to \$15.0 million in Q3-2021.

**NOI Margin** increased from 48.3% in Q3-2020 to 49.9% in Q3-2021. Same store results were exceptional increasing from 48.2% in Q3-2020 to 49.0% in Q3-2021 reflecting the continued push to increase overall profitability of the portfolio.

Remarkably, and in general, COVID-19 did not have a material impact on the financial position or results of operations as of or for the quarter ended September 30, 2021.

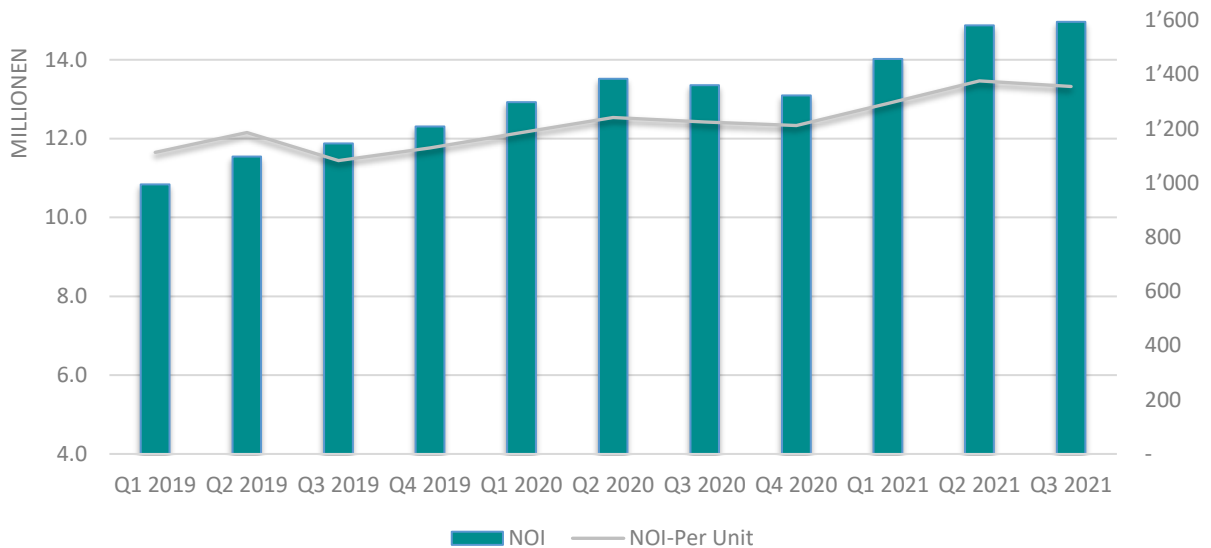
## Portfolio Trajectory and Resilience During COVID-19 Pandemic

Now that over one year of operations in the COVID-19 environment have passed by, we're better able to reflect on recent operating trends and the impact of the pandemic to date.

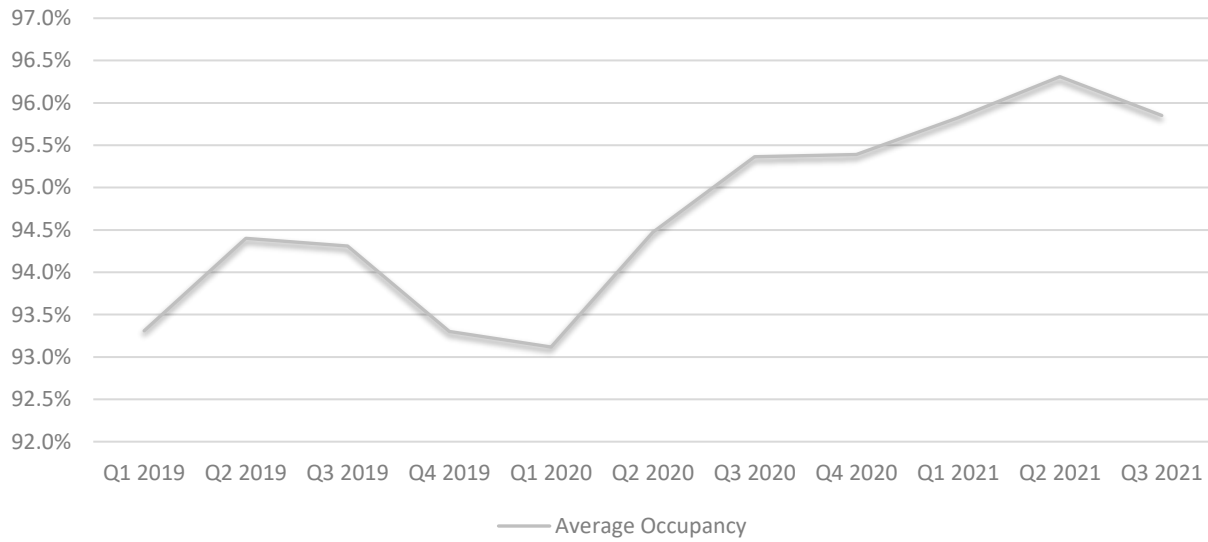
As demonstrated in the graphs below, NOI has been steadily increasing since Q1-2019. Q2-2020 reflects lower than normal operating costs at the property level as the pandemic fully set in with Q3-2020 returning to normal levels. The overall trend reflects strong growth through acquisitions as well as healthy operational returns on our value-add strategy on existing properties.

Further insight into our ability to transform financial performance via our value-add strategy can be seen in the graph of NOI per unit below. NOI per unit has shown fairly consistent growth and reflects higher margins brought on by operating efficiencies and property mix as we have focused on divesting of smaller properties in remote locations and acquiring larger locations in higher rent growth areas.

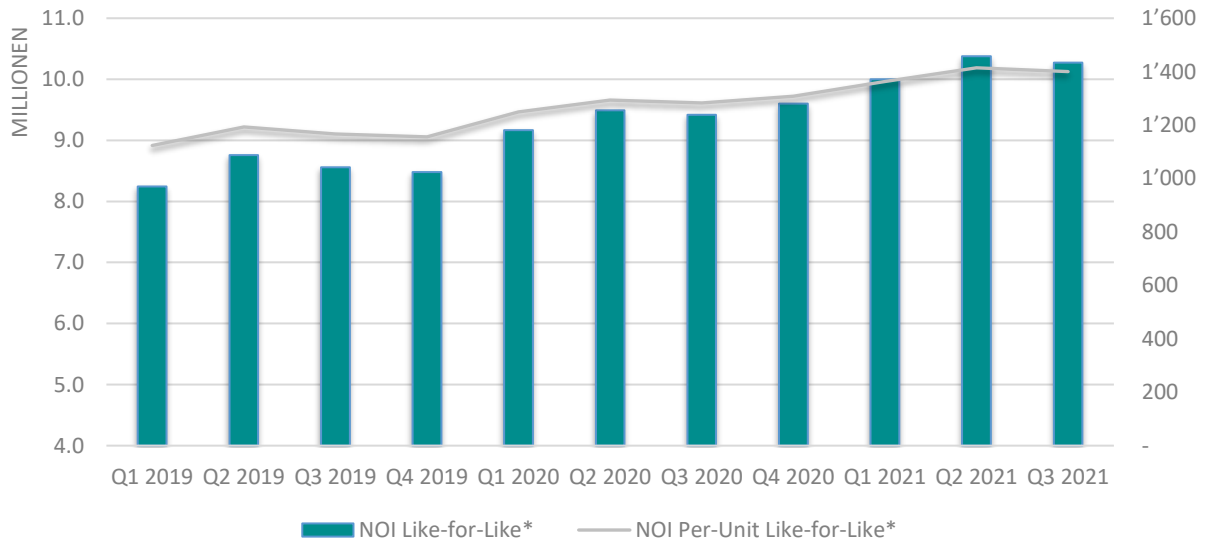
NOI and NOI-Per-Unit by Quarter



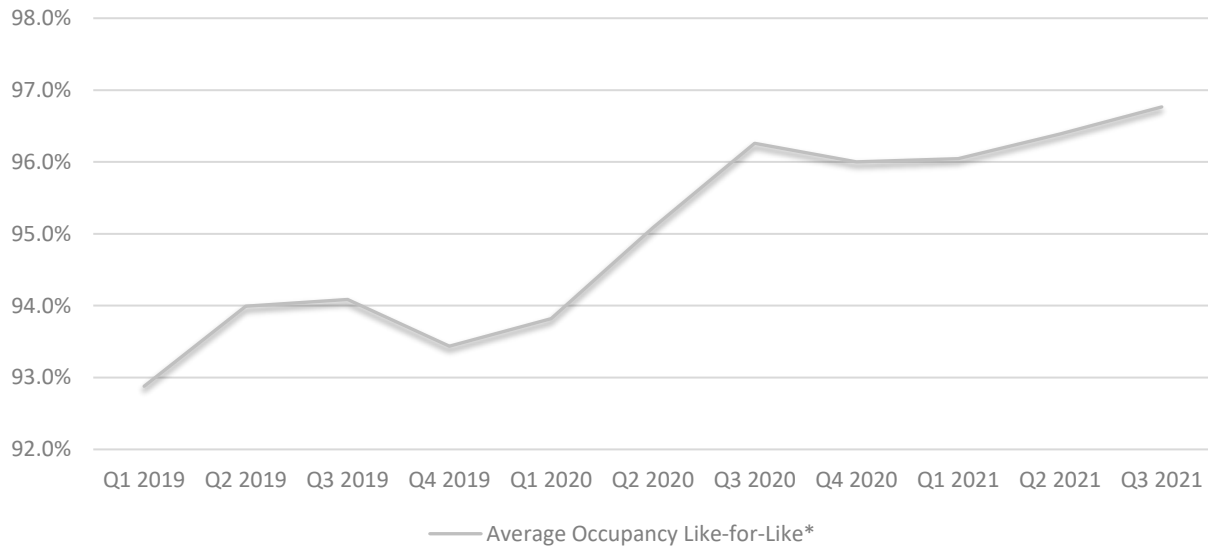
### Average Occupancy by Quarter



### NOI and NOI-Per-Unit by Quarter Like-for-Like\*



### Average Occupancy by Quarter Like-for-Like\*



## Q4 OUTLOOK

The US economy continues to rebound, and the unemployment rate continues to decline and now is at less than 5%. Inflation continues to be monitored closely and has inched up to approximately 5.5% but has remained relatively stable over the last few months. The 10-year treasury rate continues to remain low at approximately 1.6%. Overall, the US economy remains stable.

As we move in to Q4 2021, we remain cautiously optimistic that we will see another strong financial quarter for Q4. Occupancy rates continue to be at very high levels and collection rates continue to be very favorable. The Company issued its second corporate bond for CHF 50,000,000 at the beginning of October and immediately invested the proceeds of that bond to acquire the 600-unit LC Mathews asset in Louisville, Kentucky. The Company is furthermore working on two other acquisitions to close before the end of the year. Finally, there are two remaining smaller and remote assets that are expected to sell between now and year end.

## NEXT REPORT

The next report will be the 2021 Annual Report that will be published on March 30, 2022.

## TERMS

<b>Structure</b>	Real Estate Company	<b>Life duration</b>	Unlimited
<b>Incorporation</b>	Switzerland	<b>Market Cap on 30.9.2021</b>	CHF 407.07M
<b>Inception</b>	September 2015	<b>SIX ticker</b>	VARN
<b>Asset Manager</b>	Stoneweg SA	<b>ISIN</b>	CH0305285295

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